



The Real Estate TRENDS

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REAL ESTATE ACTIVITY

The recent rise in real estate activity has not carried to so high a point as the preliminary figures indicated, and at present gives signs of leveling off within a few months. Activity for August stood at 31.5 points above the long-range computed normal, a rise of only 0.6 points above the July figure of 30.9. Since the first of the year the following real estate activity has been recorded:

January . . .	42.4	May	26.8
February . .	41.6	June	30.6
March	36.5	July	30.9
April	31.5	August	31.5

Notice that the recovery, although sustained for the last three months, has been slow - almost painstaking. This is just the opposite behavior of the index in the middle period of the boom. The first peak of the boom reached in May 1946 was made up of enormous gains, followed by rather small declines. The second peak, reached in November 1947, was made up of rather small increases, followed by quite sizable drops.

We still think that real estate activity may continue to bob around for the next few months, but that before long it will start down once again.

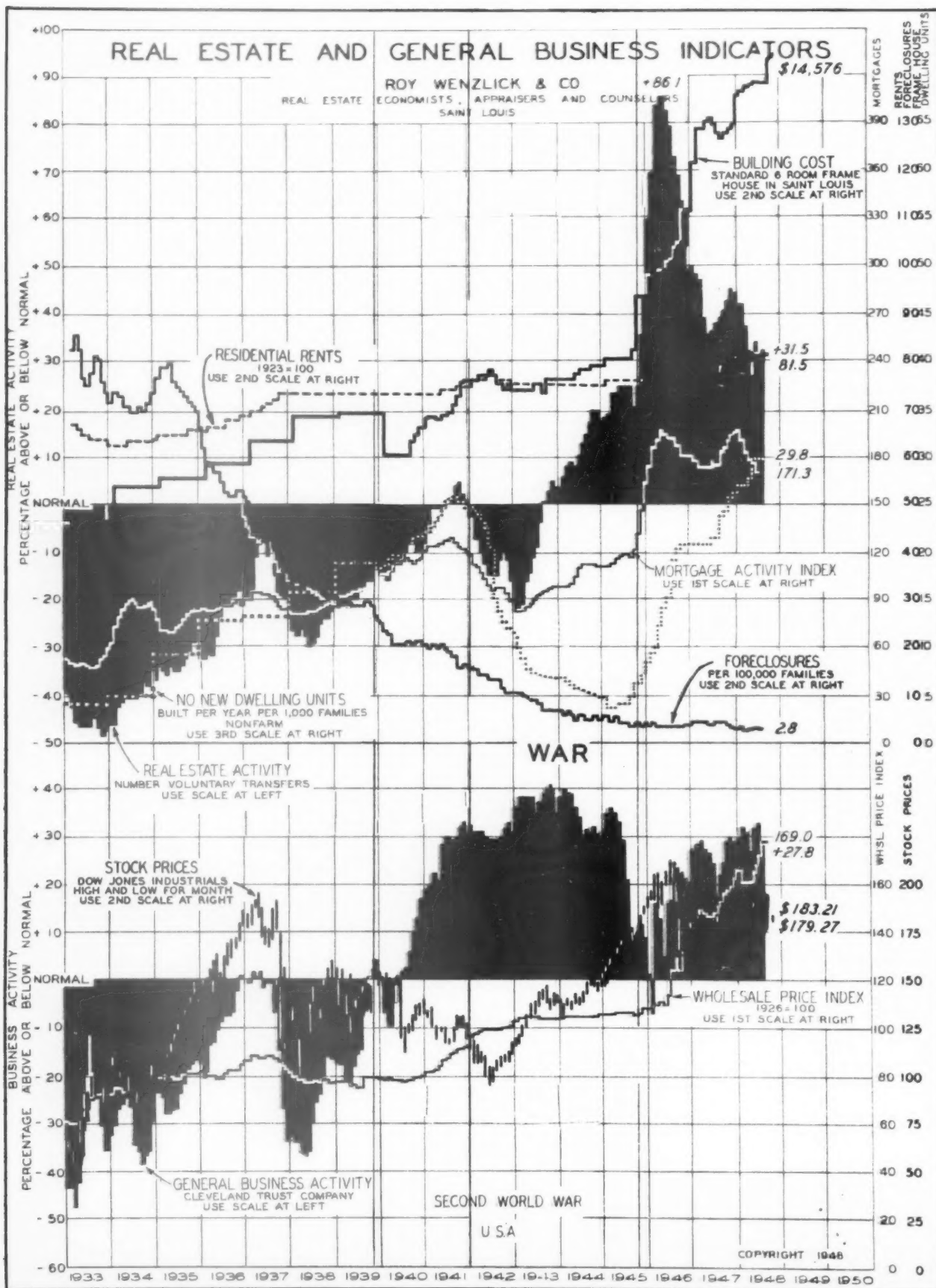
REAL ESTATE MORTGAGE ACTIVITY

The additional reservoir of easier credit created by the new housing act may be expected to arrest momentarily the dropping activity in mortgage financing. Its provisions for higher interest rates will lure some of the less wary lenders into still deeper financial waters. The housing and lending program reminds us somewhat of the donkey and the carrot - in that whenever the lending institutions, briskly pulling the housing boom along, show the slightest reluctance to maintaining their pace, the government digs a little deeper into the people's pocket, extracts another juicy carrot, and adds it to the bunch at the end of the stick.

Too much indifference to the inflationary aspects of additional credit can only result in a greater number of defaults and foreclosures within a few years.

DWELLING UNITS

The latest figures on residential construction volume place the eight-month total for 1948 at 646,100 nonfarm units. This is 123,400 units ahead of the first eight months of 1947, an increase of 23-1/2 per cent. August marked the



first month in 1948 when the number of starts dropped below the amount started in 1947. The August 1948 figure was 83,000 units, compared with 86,300 units in August 1947.

The repeal of rent controls on new construction continues to have a beneficial effect on construction of rental units. According to the latest data, during the first five months of 1948 two-family and multi-family units (these are usually rental properties) amounted to 20 per cent of the number of units started. In the first five months of 1947, when rent controls applied to new units, they amounted to only 10 per cent of the number of units started. When considering the number rather than the percentage, the record is even better. From January through May 1948 there were 74,620 two-family and multi-family units started, while during the same period in 1947 only 27,810 were started. In other words, the first five months of 1948 have recorded 2-1/2 times as many rental units as the first five months of 1947.

RESIDENTIAL CONSTRUCTION COSTS

The cost of building our standard six-room frame house in St. Louis in September was \$14,576, and of our five-room brick veneer, \$12,892. These are increases of \$123 and \$141, respectively, over

the August costs.

On page 392 we have added the cost information on a California-type bungalow. This building contains 12,119 cubic feet and has an area of 992 square feet. The house is a one-story, no basement bungalow, with exterior walls of stucco over metal lath - no sheathing is used on the walls. Interior walls and ceiling are covered with metal lath and plaster. Floors are carried by 2 x 6 joists, supported by 4 x 6 beams and 4 x 4 piers with concrete footings. Foundation is 6-inch poured concrete with a 1-foot footing. Finished floors are red oak except bath, which has tile. Heating is accomplished by use of a gas-fired floor furnace. There is 4-inch mineral wool insulation in the ceiling, but none in the walls. All framing lumber except the floor joists and their supporting members is 2 x 4 on 16-inch centers. Cost of lot, landscaping and walks and drives is not included. No water heater, electrical fixtures, architect's or financing fees are included in the cost. Decorating includes only floors, inside and outside trim and woodwork. The stucco is tinted. All workmanship and materials are of average quality. As is the case in all buildings reported in this bulletin, overhead and profit items are included in the total cost.

The house cost \$7,515 to build in September in St. Louis; this represents an increase of 141 per cent over the 1939 figure of \$3,117. Present cubic costs are 62¢ and square foot costs are \$7.57. Cubic and square foot costs in 1939 were 25.6¢ and \$3.14, respectively.

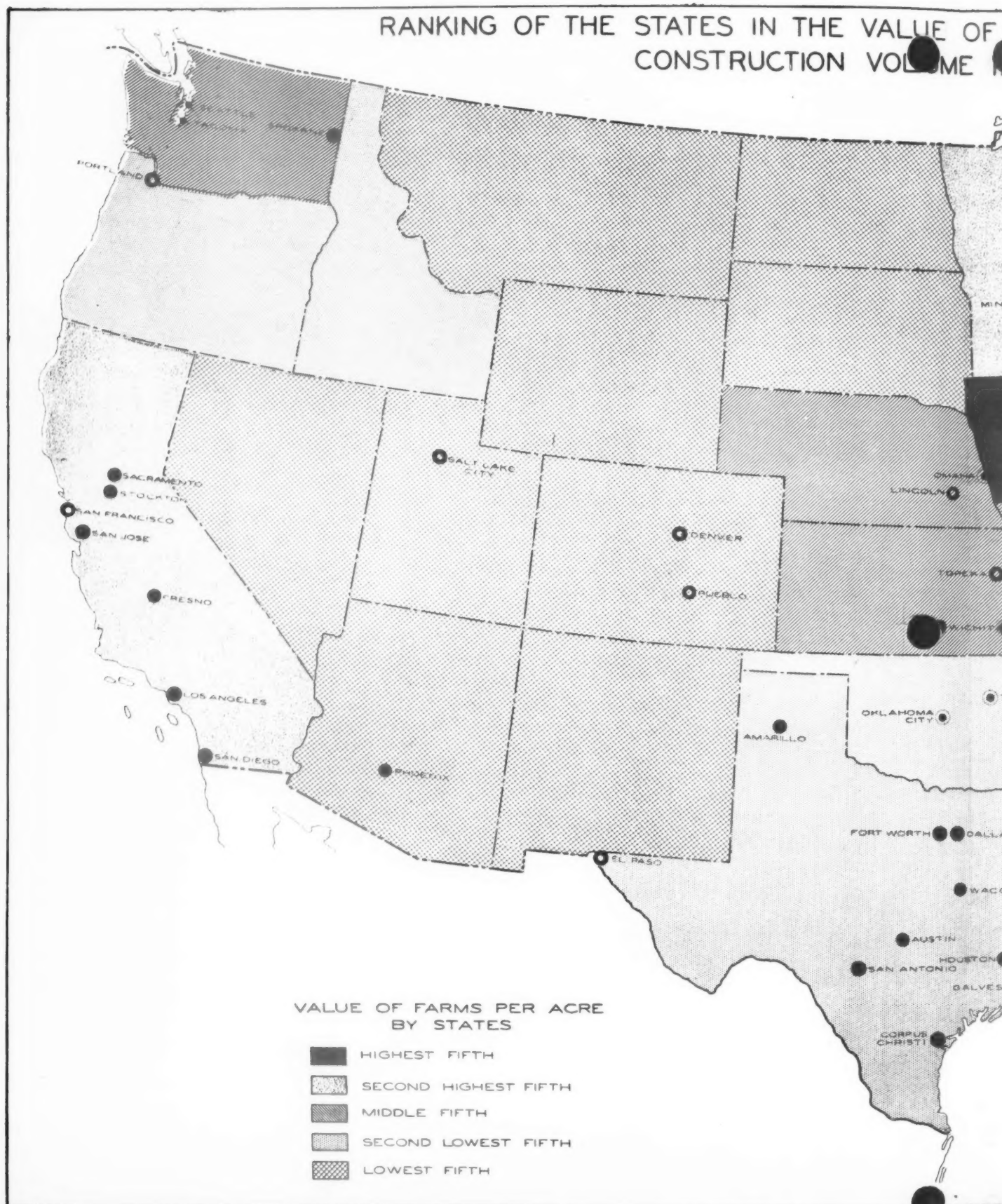
BUSINESS ACTIVITY

The business activity index climbed to a new post-war high of 32.5 during June, but declined to 27.8 above normal in July. During the last part of 1947

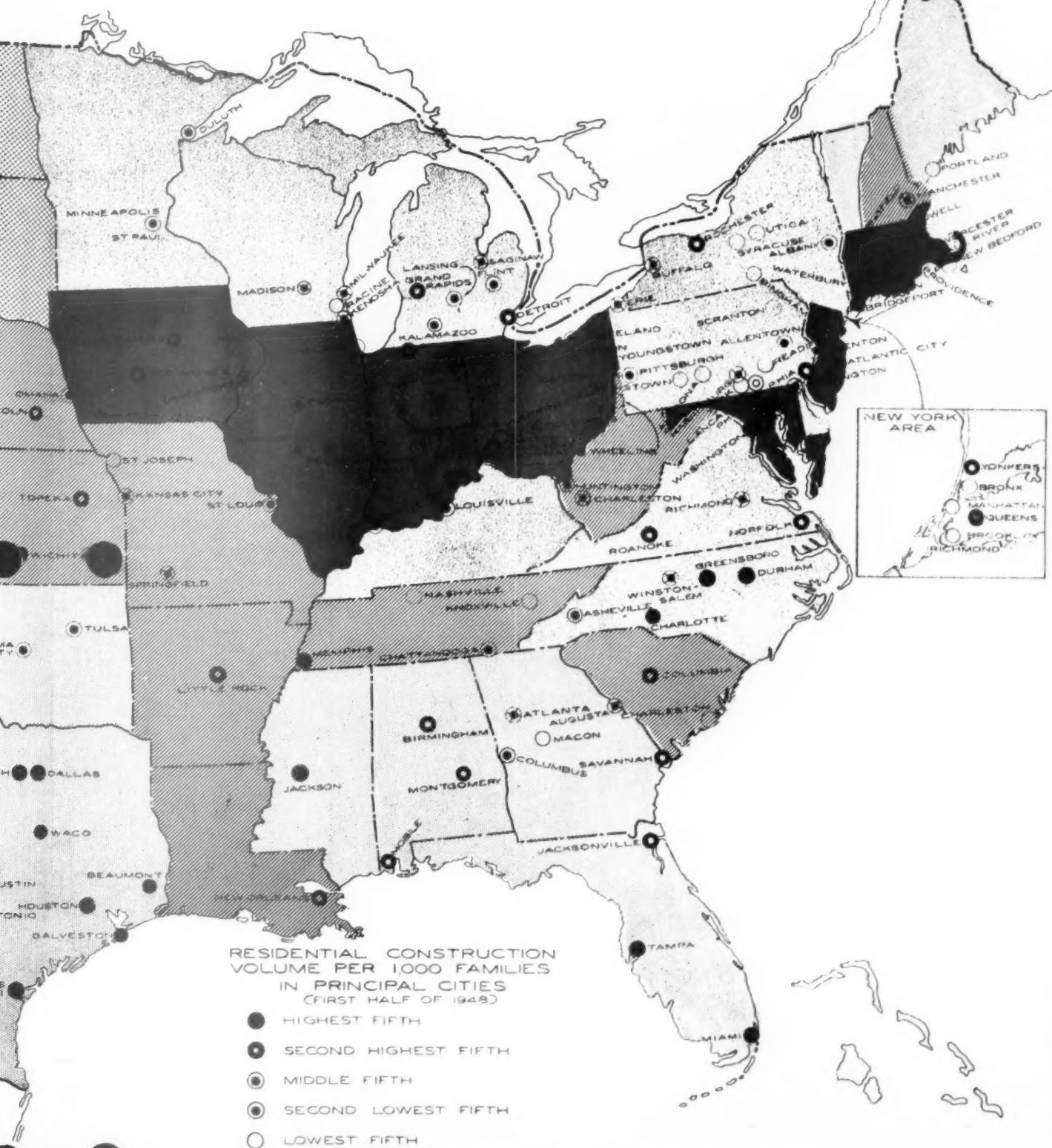
and the early part of 1948 many economists were predicting a considerable decline before 1949. We disagreed with these views and stated that we would probably go into 1949 with very little loss of speed. We still feel that way.

Guessing what the future holds is a ticklish proposition at all times, but it is

RANKING OF THE STATES IN THE VALUE OF CONSTRUCTION VOLUME



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INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



SIX-ROOM BRICK HOUSE (FRAME INTERIOR)*

Content: 23,100 cubic feet
1,520 square feet

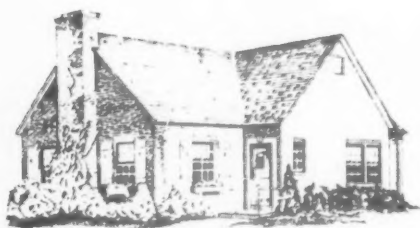
Cost 1939: \$ 6,400

(27.7¢ per cubic foot; \$4.21 per square foot)

Cost today: \$14,676

(63.5¢ per cubic foot; \$9.65 per square foot)

INCREASE OVER 1939 = 129.1%



FIVE-ROOM BRICK VENEER HOUSE*

Content: 24,910 cubic feet
1,165 square feet

Cost 1939: \$ 5,440

(21.8¢ per cubic foot; \$ 4.67 per square foot)

Cost today: \$12,892

(51.6¢ per cubic foot; \$11.05 per square foot)

INCREASE OVER 1939 = 137.0%



SIX-ROOM FRAME HOUSE*

Content: 25,376 cubic feet
1,650 square feet

Cost 1939: \$ 5,894

(23.2¢ per cubic foot; \$3.57 per square foot)

Cost today: \$14,576

(57.5¢ per cubic foot; \$8.83 per square foot)

INCREASE OVER 1939 = 147.3%



6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT

Content: 12,119 cubic feet
992 square feet

Cost 1939: \$3,117

(25.6¢ per cubic foot; \$3.14 per square foot)

Cost today: \$7,515

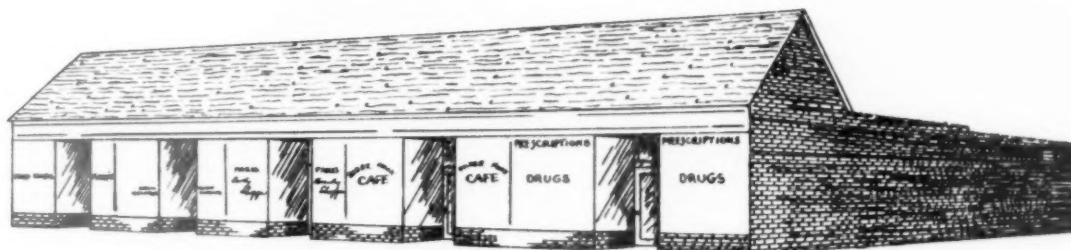
(62.0¢ per cubic foot; \$7.57 per square foot)

INCREASE OVER 1939 = 141.0%

*Costs include full basement.

INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet
8,075 square feet

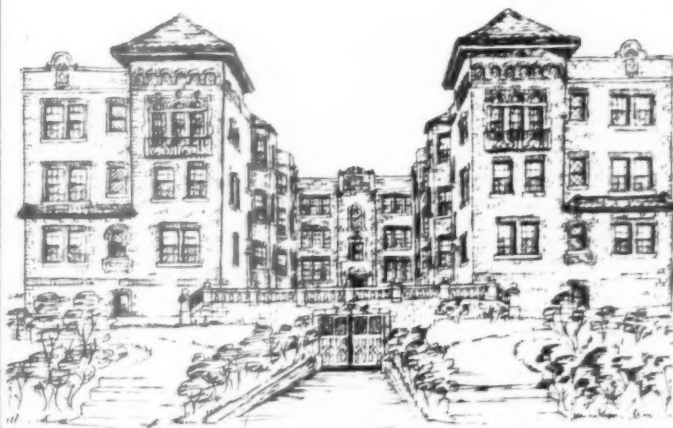
Cost today: \$37,414
(32.4¢ per cubic foot; \$4.64 per square foot)



18-FAMILY BRICK APARTMENT (FRAME INTERIOR)*

Content: 168,385 cubic feet
13,260 square feet

Cost 1939: \$ 60,300
(35.8¢ per cubic foot; \$ 4.55 per square foot)
Cost today: \$142,348
(84.5¢ per cubic foot; \$10.74 per square foot)
INCREASE OVER 1939 = 136.0%



30-UNIT REINFORCED CONCRETE APARTMENT*

Content: 303,534 cubic feet
21,372 square feet

Cost 1939: \$135,000
(44.5¢ per cubic foot; \$ 6.33 per square foot)
Cost today: \$303,062
(\$1.00 per cubic foot; \$14.19 per square foot)
INCREASE OVER 1939 = 124.5%

*Costs include full basement.

particularly difficult to "time" the major turns. Where the present business boom will break down or just when it will happen is pure speculation.

Apparently the most vulnerable parts of our economy are our high food prices and high building costs. There is a good chance that declines in the price of farm products will be fairly orderly and very little chance that they will tumble so precipitously as they did in 1920-21. Building costs are probably in for a continued slow rise for the next few months, being fed by more government credit, increased freight rates and rising labor costs. Most other major phases seem to be fairly steady and no great changes, either up or down, are anticipated for the next few months.

FORECLOSURES

There has been such slight activity in the foreclosure index for the past few years that reports of its movements have been relatively unimportant.

The present reading is 2.8 foreclosures per 100,000 families. The high, during 1933, was 84.6.

EXPLANATION OF MAP

The map on pages 390 and 391 should be studied carefully. The results of two different studies are printed upon it. In one, the various States are

grouped in accordance with the average value of their farm land, and in the other, over 130 metropolitan areas are grouped according to their rate of residential building. The grouping of the States is shown by the shading within their borders, and the grouping of the cities is shown by the type of dot designating their geographical location.

The average value of farm land per acre in the four big corn, pig and cattle States of Ohio, Indiana, Illinois and Iowa places them within the top group. The highest priced farm land, however, is found in the State of New Jersey, where fancy priced truck farms run the State average up to \$246 per acre. Connecticut is in second place with an average value of \$219 per acre, while Rhode Island is third with an average of \$193. Last place in the lowest group is practically a three-way tie for the lowest priced farm land in the country - New Mexico, Wyoming and Arizona - \$8.75, \$9.07 and \$9.54 average value per acre, in that order.

On the basis of the number of dwelling units started per 10,000 families for the first six months of 1948, Miami, Florida, was far ahead of its nearest rival, with 974 units. This means that during the first six months of this year Miami has started 97 dwelling units for each 1000 families in its metropolitan area. The next nine cities were Austin, Texas, with 723 units per 10,000 families; Fort Worth, Texas, 647; Amarillo, Texas, 484; Houston, Texas, 414; Dallas, Texas, 408; Los Angeles, California (way ahead in total units), in seventh place, with a rate of 407; Greensboro, North Carolina, 389; Phoenix, Arizona, 379; and San Jose, California, 353. Notice that one-half of the top ten are booming Texas cities. All of the top ten are either in the South or West. The ten cities that ranked lowest ranged from Charleston, South Carolina, where only 17.7 units per 10,000 families were started, to Manhattan Island, with a rate of 37.4 units. The in-betweens were Scranton, 25.5; Brooklyn, 26.1; Bronx, 27.1; Utica, 27.3; Richmond, 28.2; Syracuse, 32.1; Altoona, 32.5; and New Bedford, 36.6. By far the highest rate of building in New York City is found in Queens, where 221 units were started for every 10,000 families.